INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 30 JUNE 2017

STATED NET INCOME FOR H1 2017 WAS €5,238 MILLION AND INCLUDED THE €3.5 BILLION PUBLIC CASH CONTRIBUTION OFFSETTING THE IMPACT ON THE CAPITAL RATIOS DERIVING FROM THE ACQUISITION OF ASSETS AND LIABILITIES OF BANCA POPOLARE DI VICENZA AND VENETO BANCA.

NET INCOME WAS €1,738 MILLION EXCLUDING THE AFOREMENTIONED PUBLIC CONTRIBUTION AND €2,198 MILLION EXCLUDING, IN ADDITION, LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY.

THE NET CAPITAL GAIN OF AROUND €800 MILLION FROM THE DISPOSAL OF ALLFUNDS, WHICH WAS SIGNED IN Q1, IS TO BE BOOKED IN H2 2017.

THE CAPITAL BASE WAS STRONG AND WELL ABOVE REGULATORY REQUIREMENTS, EVEN UNDER THE ADVERSE SCENARIO OF THE STRESS TEST: PRO-FORMA FULLY LOADED COMMON EQUITY RATIO WAS 13%, NET OF ACCRUED DIVIDENDS.

RESULTS WERE IN LINE WITH THE HALF-YEARLY QUOTA OF THE €3.4 BILLION CASH DIVIDEND COMMITMENT FOR 2017.

GROSS INCOME INCREASED SIGNIFICANTLY IN H1 2017 (UP 12.3% ON H1 2016 EXCLUDING THE AFOREMENTIONED PUBLIC CONTRIBUTION) REFLECTING THE TWIN STRENGTHS OF INTESA SANPAOLO'S BUSINESS MODEL – REVENUE GENERATION ENHANCED BY FEE GROWTH, AND A HIGH LEVEL OF EFFICIENCY – AND THE IMPROVING TREND OF CREDIT QUALITY.

THE CREDIT QUALITY TREND IMPROVED. THE PAST 21 MONTHS RECORDED A €10 BILLION GROSS NPL STOCK REDUCTION, WHICH WAS ACHIEVED AT NO EXTRAORDINARY COST TO SHAREHOLDERS. IN Q2 2017, GROSS NPL INFLOW FROM PERFORMING LOANS WAS AT ITS LOWEST SINCE THE CREATION OF INTESA SANPAOLO.

INTESA SANPAOLO CONTINUES TO OPERATE AS AN ACCELERATOR FOR GROWTH IN THE REAL ECONOMY IN ITALY. IN H1 2017, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO AROUND €25 BILLION (UP 6.5% ON H1 2016). IN H1 2017, THE BANK FACILITATED THE RETURN TO PERFORMING STATUS OF ABOUT 11,000 COMPANIES – BRINGING THE TOTAL TO AROUND 63,000 SINCE 2014.

- **ROBUST NET INCOME:**
  - **STATED INCOME OF €4,337M IN Q2 2017 AND €5,238M IN H1 2017, INCLUDING THE €3.5BN PUBLIC CONTRIBUTION (*)**
  - **€837M IN Q2 2017, EXCLUDING THE €3.5BN CONTRIBUTION (*), VS €901M IN Q1 2017 AND €901M IN Q2 2016**
  - **€1,015M IN Q2 2017 VS €1,183M IN Q1 2017 AND €912M IN Q2 2016, EXCLUDING, IN ADDITION, LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY (**)**
  - **€1,738M IN H1 2017, EXCLUDING THE €3.5BN CONTRIBUTION (*), VS €1,707M IN H1 2016**
  - **€2,198M IN H1 2017 VS €1,820M IN H1 2016, EXCLUDING, IN ADDITION, LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY (**)**

- **GROWING OPERATING MARGIN:**
  - **UP 1.6% IN Q2 2017 ON Q1 2017**
  - **UP 2.7% IN H1 2017 ON H1 2016, EXCLUDING THE IMPACT OF THE DEVALUATION OF THE EGYPTIAN CURRENCY AND THE DIVIDENDS FROM THE STAKE IN THE BANK OF ITALY**

- **INCREASING OPERATING INCOME:**
  - **UP 3.3% IN Q2 2017 ON Q1 2017**
  - **UP 2% IN H1 2017 ON H1 2016, EXCLUDING THE IMPACT OF THE DEVALUATION OF THE EGYPTIAN CURRENCY AND THE DIVIDENDS FROM THE STAKE IN THE BANK OF ITALY**

- **IMPROVING CREDIT QUALITY TREND:**
  - **DECREASING QUARTERLY NPL INFLOW FROM PERFORMING LOANS**
    - **GROSS INFLOW OF €1BN (AT ITS LOWEST SINCE THE CREATION OF INTESA SANPAOLO), DOWN 14% ON Q1 2017. NET INFLOW OF €0.5BN, DOWN 23% ON Q1 2017**
  - **DECREASING NLP STOCK**
    - **A €10BN GROSS REDUCTION IN THE PAST 21 MONTHS, ACHIEVED AT NO EXTRAORDINARY COST TO SHAREHOLDERS**
    - **DOWN 6% GROSS ON DECEMBER 2016**
    - **DOWN 6.6% NET ON DECEMBER 2016**

- **STRONG CAPITAL BASE, WELL ABOVE REGULATORY REQUIREMENTS EVEN UNDER THE ADVERSE SCENARIO OF THE STRESS TEST:**
  - **COMMON EQUITY RATIO AS AT 30 JUNE 2017, AFTER THE DEDUCTION OF AROUND €1,640M OF DIVIDENDS ACCRUED IN H1 2017, OF**
    - **13% PRO-FORMA FULLY LOADED (1) (2)**
    - **12.5% ON A TRANSITIONAL BASIS FOR 2017 (2)**
  - **COMMON EQUITY RATIO UNDER STRESS TEST**
    - **10.2% UNDER THE ADVERSE SCENARIO FOR 2018**

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(*) Non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca.

(**) Mainly contributions to the resolution fund and charges in relation to impairment losses regarding the *Atlante* fund.

(1) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, the expected absorption of DTAs on losses carried forward, the line-by-line consolidation of the subsidiaries of Banca Popolare di Vicenza and Veneto Banca included in the operations acquired, the expected distribution of net income of insurance companies for H1 2017, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 8 basis points).

(2) After the deduction of accrued dividends, assumed equal to the net income for the first half of the year minus the coupons accrued on the Additional Tier 1 issues and the non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca.

HIGHLIGHTS:

OPERATING INCOME:	Q2 2017	+3.3%	€4,348M FROM €4,209M IN Q1 2017
	H1 2017	-1%	€8,557M FROM €8,641M IN H1 2016
OPERATING COSTS:	Q2 2017	+5.1%	€2,159M FROM €2,055M IN Q1 2017
	H1 2017	0%	€4,214M FROM €4,215M IN H1 2016
OPERATING MARGIN:	Q2 2017	+1.6%	€2,189M FROM €2,154M IN Q1 2017
	H1 2017	-1.9%	€4,343M FROM €4,426M IN H1 2016
GROSS INCOME:	Q2 2017	€5,012M	
		€1,512M	EXCLUDING THE €3.5BN CONTRIBUTION (*), FROM €1,652M IN Q1 2017;
	H1 2017	€6,664M	
		€3,164M	EXCLUDING THE €3.5BN CONTRIBUTION (*), FROM €2,818M IN H1 2016;
NET INCOME:	Q2 2017	€4,337M	
		€837M	EXCLUDING THE €3.5BN CONTRIBUTION (*), FROM €901M IN Q1 2017
		€1,015M	FROM €1,183M IN Q1 2017, EXCLUDING, IN ADDITION, LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY (**)
	H1 2017	€5,238M	
		€1,738M	EXCLUDING THE €3.5BN CONTRIBUTION (*), FROM €1,707M IN H1 2016,
		€2,198M	FROM €1,820M IN H1 2016, EXCLUDING, IN ADDITION, LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY (**)
CAPITAL RATIOS:		COMMON EQUITY RATIO AFTER ACCRUED DIVIDENDS: 13% PRO-FORMA FULLY LOADED (3) (4); 12.5% ON A TRANSITIONAL BASIS FOR 2017 ("PHASED IN") (4)	

(*) Non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca.

(**) Mainly contributions to the resolution fund and charges in relation to impairment losses regarding the *Atlante* fund.

(3) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, the expected absorption of DTAs on losses carried forward, the line-by-line consolidation of the subsidiaries of Banca Popolare di Vicenza and Veneto Banca included in the operations acquired, the expected distribution of net income of insurance companies for H1 2017, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 8 basis points).

(4) After the deduction of accrued dividends, assumed equal to the net income for the first half of the year minus the coupons accrued on the Additional Tier 1 issues and the non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca.

Turin - Milan, 1 August 2017 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved the consolidated half-yearly report as at 30 June 2017 (5).

The results for the first half of 2017 reflect **the twin strengths of Intesa Sanpaolo's business model – revenue generation enhanced by fee growth** combined **with high efficiency –** and **the improving trend of credit quality:**

- **<u>net income</u>: stated net income to €4,337m in Q2 2017 and €5,238m in H1 2017, including the** non-taxable **public cash contribution of €3.5bn offsetting the impact on the capital ratios deriving from the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca. Excluding the €3.5bn public contribution**, net income was **€837m in Q2 2017**, compared with €901m in both Q1 2017 and Q2 2016, and **€1,738m in H1 2017**, compared with €1,707m in H1 2016. **Furthermore, excluding levies and other charges concerning the banking industry** (mainly made up of contributions to the resolution fund and charges in relation to impairment losses regarding the *Atlante* fund), net income was **€1,015m in Q2 2017**, compared with €1,183m in Q1 2017 and €912m in Q2 2016, and **€2,198m in H1 2017**, compared with €1,820m in H1 2016. **In the second half of 2017**, **the net capital gain of around €800m** on the disposal of Allfunds, which was signed in the first quarter of the year, **is to be booked**. **The results are in line with the half-yearly quota of the €3.4bn cash dividend commitment for 2017**.

- **<u>gross income</u>, excluding the public cash contribution of €3.5bn**, **up 12.3% in H1 2017** on H1 2016;

- **<u>operating margin</u> in Q2 2017 up 1.6%** on Q1 2017, and **in H1 2017 up 2.7%** on H1 2016 when excluding the impact of the devaluation of the Egyptian currency and the dividends from the stake in the Bank of Italy (€10m in the first six months of 2017, compared with the €121m of the corresponding period of 2016);

- **<u>operating income</u> in Q2 2017 up 3.3%** on Q1 2017, and in **H1 2017 up 2%** on H1 2016 when excluding the impact of the devaluation of the Egyptian currency and the dividends from the stake in the Bank of Italy;

(5) Methodological note on the scope of consolidation on page 26.

- **net interest income** **in Q2 2017 up 0.6%** on Q1 2017, and **in H1 2017 up 1.5%** on H1 2016 when excluding the impact of the devaluation of the Egyptian currency;

- **net fee and commission income** **up 2.2% in Q2 2017** on Q1 2017 **and up 5.8% in H1 2017** on H1 2016, **as a result of the strong rebound in assets under management, which, in the first six months, recorded a stock increase of around €12bn and net inflow of around €10.3bn**;

- **high efficiency**, highlighted by a **cost/income ratio of 49.2%** in H1 2017 – **a figure that places Intesa Sanpaolo in the top tier of its European peers**;

- **continuous cost management**, with operating costs in H1 2017 in line with H1 2016;

- **improving trend of credit quality** due to an **effective proactive credit management approach** in an improving economic environment:
  - **inflow of new NPLs from performing loans diminished**. The second quarter of the year saw **quarterly gross inflow at its lowest since the creation of Intesa Sanpaolo and second lowest net inflow** after its all-time low in Q3 2016, with gross inflow of €1bn, down 14% from €1.2bn in Q1 2017, and net inflow of €0.5bn, down 23% from €0.7bn in Q1 2017.
  - **NPL stock decreased** marking a **€10bn gross reduction in the past 21 months**, which was **achieved at no extraordinary cost to shareholders**. The stock was down 6% gross and 6.6% net on December 2016.
  - specifically, **bad loan stock was down** 6.5%, both gross and net, on December 2016;
  - the **stock of unlikely-to-pay loans was down** 4.7% gross and 6.2% net on December 2016.

- **sizeable NPL coverage**:
  - **NPL cash coverage ratio of 49.1%** at the end of June 2017 versus 48.8% at year-end 2016, **with a cash coverage ratio of 60.7%** at the end of June 2017 **for the bad loan component** (60.6% at year-end 2016);
  - **robust reserve buffer on performing loans** equal to 0.5% at the end of June 2017 (the same as at year-end 2016);

- **support to the real economy**, with around **€35bn of medium/long-term new lending** in H1 2017. **Loans** amounting to around **€25bn** were granted **in Italy, up 6.5% on H1 2016,** of which around **€22bn was granted to households and SMEs, an increase of 8%** on H1 2016. **In the first six months of 2017, the Bank facilitated the return** from non-performing **to performing status of** around **11,000 Italian companies**, bringing the total to around **63,000 since 2014**.

- **<u>very solid capital base</u>**, with capital ratios well above regulatory requirements, even under the adverse scenario of the stress test. As at 30 June 2017, the **pro-forma fully loaded Common Equity ratio** came in at **13%** (6) (7) – **one of the highest levels amongst major European banks** – and the phased-in Common Equity ratio at 12.5% (7) after the deduction of around €1,640m of dividends accrued in the first six months. These dividends have been assumed equal to net income for the first six months minus the coupons accrued on the Additional Tier 1 issues and the non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca. The aforementioned ratios compare with a SREP requirement which has set the fully loaded Common Equity ratio at 9.25% and the phased-in Common Equity ratio at 7.25%, comprising Capital Conservation Buffer and O-SII Buffer. The Common Equity ratio resulting from the stress test under the adverse scenario for 2018 was 10.2%.

- **<u>strong liquidity position and funding capability</u>**, with **liquid assets of €159bn** (€9bn of which derived from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca) and **available unencumbered liquid assets of €81bn** (€1bn of which derived from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca) **at the end of June 2017. The Basel 3 Liquidity Coverage Ratio and Net Stable Funding Ratio requirements have already been complied with**, well ahead of the implementation timeline (2018). The Group's refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €56.7bn in Q2 2017 (an average of €44.8bn in Q1 2017 and €33.3bn in 2016). These refinancing operations consisted entirely of the TLTRO with a four-year maturity. At the end of March 2017, the Group borrowed €12bn under the fourth and final TLTRO II bringing its total funding to around €57bn, the maximum borrowing allowance under the TLTROs II, after borrowing around €36bn (end of June 2016) under the first TLTRO II – repaying in full the take-up of €27.6bn under the TLTRO I programme – around €5bn (end of September 2016) under the second TLTRO II and around €3.5bn (mid-December 2016) under the third TLTRO II. As at 30 June 2017, refinancing operations with the ECB amounted to €63.8bn following the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, which included around €7.1bn borrowed under TLTROs II.

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(6) Estimated by applying the fully loaded parameters to the financial statements as at 30 June 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, the expected absorption of DTAs on losses carried forward, the line-by-line consolidation of the subsidiaries of Banca Popolare di Vicenza and Veneto Banca included in the operations acquired, the expected distribution of net income of insurance companies for H1 2017, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 8 basis points).

(7) After the deduction of accrued dividends, assumed equal to the net income for the first half of the year minus the coupons accrued on the Additional Tier 1 issues and the non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca.

- <u>**several Business Plan initiatives are already under way and on track**</u>, with the **strong involvement of the Group's people**, as illustrated below:
  - **New Growth Bank**
    - **Banca 5®**
      - the **Banca 5® "specialised" business model has been introduced in around 70% of the branches**, with 3,600 dedicated relationship managers. Revenues per client have increased by 80% from €70 to €126.
      - the "**Intesa Sanpaolo Casa**" real estate project, focused on real estate sale and brokerage, is being implemented with **33 real estate agencies already opened** in the most important cities;
      - **Banca ITB has been acquired** to create **the first "proximity bank" in Italy**, focused on **instant banking** through a **lean network of around 22,000 points of sale representing around 25 million potential customers**. Of these around 12 million are already Banca ITB customers.
    - **Multichannel Bank**
      - **new multichannel processes have been successfully launched:**
        - **around 1.8 million additional multichannel clients since the beginning of 2014, raising the total to around 6.6 million**;
        - around 4.8 million mobile Apps for smartphone/tablet have been downloaded by customers;
        - Intesa Sanpaolo ranks number one in Italy in multichannel banking with around 85% of products available via multichannel platforms;
        - **digitisation involves all branches, with around 100% paperless transactions for all priority products** (around 8.1 million transactions completed in H1 2017 and more than 16.3 million since the start of the initiative);
        - **the "Online Branch" is fully operational for the "Service To Sale"**, with around 19,000 products sold in H1 2017;
        - **new digital marketing capabilities** have been built to fully exploit search engines and social media presence;
        - the **new Intesa Sanpaolo digital experience** has been launched, with new internet banking site, new website and new Apps;
        - **new digital channels** are being developed in **Croatia, Hungary and Egypt**;
    - **Private Banking**
      - **Fideuram - Intesa Sanpaolo Private Banking has been successfully operational since 1 July 2015**;
      - **the Private Banking branch in London is fully up and running** and **Intesa Sanpaolo Private Bank (Suisse) is being strengthened**;
      - a **first wave of new products has been launched for the entire Division** (e.g., Fideuram Private Mix, *Piano Investimento Italia - PIR*, *Obiettivo 2022*, *Obiettivo 2023 Piano Investimento Italia*, creation of a dedicated SICAV);
      - **a targeted service model for High Net Worth Individual clientele** has been implemented:
        - **seven dedicated HNWI boutiques** have been opened
        - **new advisory services** have been launched for clients with sophisticated financial needs;
      - **the advisory tool "View" continues to expand on the Intesa Sanpaolo Private Banking network** with around €5bn of assets under advisory;
      - **the new digital office for private bankers is fully up and running**;
      - **advisory services are being broadened** across different client segments;

- **Asset Management**
  - the digital platform has been enriched (e.g., "model portfolio" and "scenario analysis" have been added);
  - a **new product range** has been introduced into the **Banca dei Territori Division** (e.g., Eurizon Evolution Target, Eurizon *Difesa 100*, Epsilon *Soluzione Obbligazionaria x 4*), the **Private Banking Division** (e.g., Eurizon High Income, Eurizon ESG Target 40, Eurizon Global Inflation Strategy) and the **Insurance Division**, for clients of the **Corporate and Investment Banking Division** (e.g., EF Sustainable Global Equity) and new offers have been dedicated to **international clients** (e.g., "Best expertise"), **SMEs** (e.g., *GP Unica Imprese*), and institutional and wholesale clients (e.g., Eurizon Fund SLJ Emerging Local Market Debt, Eurizon Fund Equity Small Mid Cap Italy);
  - the product range has been enhanced with **moderate risk profile solutions aimed at responding to current market volatility** (e.g., Epsilon *Difesa Attiva*);
  - products have been launched allowing investors to **sustain the real economy** while capturing the evolution of the **European structured credit market** (Eurizon Easy Fund – Securitised Bond Fund);
  - **PIR compliant investment solutions** (i.e. individual saving plans) have been launched with the aim of sustaining Italian enterprises' long-term growth (e.g., Eurizon *Progetto Italia*), with around €1bn net inflow since its launch;
  - the Asset Management Division is **growing in Europe** (e.g., partnership in London, new branch in Paris) **and Asia** (e.g., set up of a Wealth Management company in China, Yicai);
  - **the Group's Asset Management activities in Eastern Europe are being integrated within Eurizon Capital**;
  - the offering of wealth management products "Eurizon *GP Unica*" and "Eurizon *GP Unica Facile*" is being strengthened with the option for clients to subscribe to a service for **individual protection**;
- **Insurance**
  - **the steering** of product mix **towards capital-efficient products is making good progress** (e.g., Unit Linked products account for 73% of the new production, compared with 66% at year-end 2016);
  - **new Unit Linked products with capital protection** have been launched (Exclusive Insurance and *LaTuaScelta*);
  - **life-business products have been expanded** with the launch of *Base Sicura Tutelati*, designed for underage clients and those with disabilities, and *Vicino a Te* for minors who lost their parents in the earthquake;
  - **products available to the Private Banking Division** (Fideuram Private Mix and Synthesis) have been consolidated **and a new composite product with capital protection and a new Unit Linked** ("*Selezione* Private") **providing access to 50 "best in class" external funds have been launched**;
  - **the product "*Giusto* Mix" has been restyled** with the introduction of a **volatility reduction tool**;
  - **offer diversification in P&C business** continues, with products in the healthcare sector (a new product dedicated to surgery, prevention and illnesses with "Dread Disease") and in the corporate sector (a new product dedicated to agriculture);

- ▫ **activities for the development of a pension fund offer dedicated to company employees have been consolidated**;
  - ▫ **pension fund business has been fully integrated**;
  - ▫ **remote offering of healthcare products** has been completed;
  - ▫ **pilot initiatives have been launched to support P&C business growth** through **specialised relationship managers and over the phone** (online branches);
  - ▫ **a pilot initiative has been launched** with insurance broker AON **dedicated to SMEs**;
  - ▫ the offering for **auto insurance** continues through a system which targets new customers based on the **registration of their license plates**, automatically generating commercial proposals, and through the **deployment of remote offerings for vehicle insurance products**;
- **Banca 360° for corporate clients**
  - ▫ a **new Transaction Banking Group unit has been set up** and **new commercial initiatives** are ongoing;
  - ▫ **a new commercial model and a product offering for SMEs have been developed**
  - ▫ the **SME Finance hub** is fully operational (new Mediocredito Italiano);
  - ▫ the **international presence of the Corporate and Investment Banking Division has been strengthened** (e.g., Washington Office up and running, strengthening of Intesa Sanpaolo Bank Luxembourg);

- **Core Growth Bank**
  - **capturing untapped revenue potential**
    - ▫ the "**cash desk service evolution**" project is in progress with around **1,900 branches already having cash desks closing at 1pm** and **extended hours only available for advisory**, and around **230 branches fully dedicated to advisory services**;
    - ▫ the new **e-commerce portal** will continue seizing **business potential after EXPO 2015**;
    - ▫ the offer aimed at **growth in lending to the private sector** has been enhanced (e.g., new innovative **"*Mutuo Up*"**);
    - ▫ a **new service model** has been introduced at **the Banca dei Territori Division**, with the introduction of three specialised commercial value chains, the creation of around 1,200 management roles and the innovation of the SME service model;
    - ▫ **new advanced analytics / machine learning models** have been adopted to identify high potential clients;
    - ▫ the ***Programma Filiere*** has been launched with important initiatives in relevant economic sectors (Agriculture);
    - ▫ **consumer finance has been integrated into the branch network of the Banca dei Territori Division**;
    - ▫ the **Asset Light model of the Corporate and Investment Banking Division is fully operational**, with benefits in terms of cross-selling. Distribution capabilities have been enhanced.
    - ▫ a **front-line excellence programme** is ongoing at the Corporate and Investment Banking Division;

    - ▫ a new **organisation** is in place within the Corporate and Investment Banking Division to reinforce the "industry driven" client service model and the international growth. A new **international strategy for the Corporate and Investment Banking Division** has been launched, with focus on further growth in core selected products, clients and geographies.
    - ▫ **branches have been opened in Doha and Abu Dhabi**;
    - ▫ a **new segmentation** and a **new service model** have been launched **for affluent clients of the International Subsidiary Banks Division**;
    - ▫ the **extension of the CRM system to Slovakia** is in progress and a **new advisory model** for **investment products is being implemented** in Slovakia, Croatia, Hungary and Slovenia;
    - ▫ **the integration of the subsidiary bank in Bosnia** into the subsidiary bank in Croatia is underway and the authorisation process concerning the integration of the subsidiary bank in Slovenia into the subsidiary bank in Croatia process has been completed;
    - ▫ a **joint venture** in **merchant banking** with a specialised investor (Neuberger) has been finalised, with deconsolidation of activities;
  - **continuous cost management**
    - ▫ the **geographical footprint simplification** continues, with **the closure of 67 branches in H1 2017, bringing the total to 794 closures since 2014**;
    - ▫ the **simplification of legal entities is ongoing**: the rationalisation of **seven product factories**, performing leasing, factoring, specialised finance and advisory activities, **into one** (new Mediocredito Italiano) **has been finalised**, and **nine local banks have been merged** into the Parent Company;
  - **dynamic credit and risk management**
    - ▫ the **proactive credit management value chain** has been empowered across **all Divisions**;
    - ▫ **integrated management of substandard loans** is in place;
    - ▫ **the Chief Lending Officer Governance area has been reorganised** and structured by business units;
    - ▫ **separate Risk Management and Compliance functions are in place**, with a Chief Risk Officer and a Chief Compliance Officer **reporting directly to the CEO**;

- **Capital Light Bank**
  - Capital Light Bank is **fully operational** with around **780** dedicated **people** and around **€24bn of deleveraging of non-core assets already achieved**;
  - a **new performance management system** is fully operational on each asset class;
  - **Re.O.Co.** (Real Estate Owned Company) is **fully up and running**, and has generated an estimated **positive impact** for the Group of around **€58m** since 2014;
  - **the partnership with KKR-Pillarstone is fully operational**;

- **people and investments as key enablers**:
  - **around 4,500 people have already been reallocated** to high priority initiatives
  - the **Investment Plan for Group employees** has been finalised, **registering the highest number of participants** in the Group's history;
  - the "**Big Financial Data**" programme is fully in line with targets (around 500 employees involved);
  - the **Chief Innovation Officer** is established in role, and the "**Innovation Centre**", created to train staff and develop new products, processes and "ideal branches", is located in the **new ISP Tower** in Turin;

- a **large-scale digitisation programme** has been launched with the aim of improving efficiency and service level in top priority operating processes; the **Digital Factory is fully operational**, with digitisation of 15 key processes launched, 13 already up and running;
- an **Advance Analytics programme** has been launched on commercial/operating initiatives in several units;
- investment to **renew the layout of 1,000 branches** has already been activated (around 90 branches have been converted up to now);
- more than **200 agreements with labour unions** have been signed;
- around **7,700 employees** have already adopted "**smart working**" practices and a "**smart learning**" plan has been launched that allows around 29,000 employees to access training courses from home;
- the "**Integrated Welfare Programme**" is fully underway and has been further improved;
- the "**Lavoro Misto**" pilot programme has been launched, with two parallel contracts in place for the same person (one part-time contract as a bank employee and one as a financial advisor). First activations took place at the end of July.

The income statement for the second quarter of 2017

The consolidated income statement for Q2 2017 (8) recorded **operating income** of €4,348m, up 3.3% from €4,209m in Q1 2017 and down 2.6% from €4,464m in Q2 2016. Excluding the impact of the devaluation of the Egyptian currency and the dividends from the stake in the Bank of Italy, operating income would increase 1.5% on Q2 2016.

As part of it, in Q2 2017 **net interest income** amounted to €1,815m, up 0.6% from €1,805m in Q1 2017 and down 0.9% from €1,832m in Q2 2016. Excluding the impact of the devaluation of the Egyptian currency, net interest income would increase 2.3% on Q2 2016.

Net fee and commission income amounted to €1,896m, up 2.2% from €1,855m in Q1 2017. Specifically, commissions on commercial banking activities were up 3.3% and commissions on management, dealing and consultancy activities were up 1.8%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded a 3.4% increase in dealing and placement of securities, a 3.9% increase in portfolio management (performance fees contributed €7m in Q2 2017 and €3m in Q1 2017), and a 1.9% decrease in distribution of insurance products. Net fee and commission income for Q2 2017 was up 2% from €1,858m in Q2 2016. Specifically, commissions on commercial banking activities were down 0.9%, while those on management, dealing and consultancy activities were up 7.7% with increases of 19% in dealing and placement of securities, 9.4% in portfolio management (performance fees in Q2 2016 contributed €1m) and 1.1% in distribution of insurance products.

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(8) During the preparation of the interim statement at 30 September 2008, in the wake of the global financial crisis, certain amendments to international accounting standards were introduced and adopted by the European Commission. In short, in accordance with these amendments it is possible to reclassify - in specific circumstances considered to be rare - unquoted financial instruments, or no longer quoted, in an active market and no longer held for trading or available for sale: in particular, out of the category "fair value through profit and loss" into the categories "available-for-sale" or the "held-to-maturity" or "loans and receivables", and out of the category "available-for-sale" into the category "loans and receivables". The Group, largely basing on the prices at 1 July 2008, in previous years reclassified financial assets held for trading of €240m into loans and receivables; the Group also reclassified financial assets available for sale of €4,795m into loans and receivables. If these reclassifications had not been made, there would have been a positive impact of €6m on profits/losses on trading for Q2 2017 (a positive impact of €6m in H1 2017, a negative impact of €9m in 2016, a positive impact of €2m in 2015, €60m in 2014, €94m in 2013 and €135m in 2012, a negative impact of €11m in 2011, a positive impact of €92m in 2010 and €73m in 2009, and a negative impact of €460m in 2008) and the shareholders' equity as at 30 June 2017 would have included a negative pre-tax direct impact of €800m (with a positive impact of €160m in Q2 2017 and €94m in H1 2017).

Income from insurance business amounted to €240m from €283m in Q1 2017 and €239m in Q2 2016.

Profits on trading amounted to €365m from €226m in Q1 2017. Profits from customers increased from €129m to €139m. Activities in capital markets and AFS financial assets increased from €17m to €20m. Trading and treasury activities increased from €72m to €194m (including €10m of dividends from the stake in the Bank of Italy). Structured credit products increased from €8m to €12m. Profits of €365m for Q2 2017 compare with profits of €467m in Q2 2016, which recorded profits from customers of €136m, profits from capital markets and AFS financial assets of €85m, profits from trading and treasury activities of €240m (including €121m of dividends from the stake in the Bank of Italy) and profits from structured credit products of €6m.

Operating costs amounted to €2,159m, up 5.1% from the €2,055m of Q1 2017. Personnel expenses were up 4%, administrative expenses up 8.6% and adjustments up 1.1%. Operating costs for Q2 2017 were in line with the €2,161m of Q2 2016, with personnel expenses down 0.2%, administrative expenses down 1.2% and adjustments up 5%.

As a result, **operating margin** amounted to €2,189m, up 1.6% from €2,154m in Q1 2017 and down 5% from the €2,303m of Q2 2016. Excluding the impact of the devaluation of the Egyptian currency and the dividends from the stake in the Bank of Italy, operating margin would increase 1.8% on Q2 2016. The cost/income ratio was 49.7% in Q2 2017 versus 48.8% in Q1 2017 and 48.4% in Q2 2016.

Net adjustments to loans amounted to €737m from €695m in Q1 2017 and €923m in Q2 2016.

Net provisions and net impairment losses on other assets amounted to €57m from €3m in Q1 2017 and €194m in Q2 2016.

Other income amounted to €3,617m. This figure included the public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca, as well as an income of €109m deriving from the disposal of a stake in NTV and the fair value measurement following the reclassification of the remaining equity investment, which is no longer included among companies subject to significant influence. The “Other income” caption amounted to €196m in both Q1 2017 (which included an income of around €190m from the fair value measurement of the investment in Bank of Qingdao following the reclassification of this equity investment no longer included among companies subject to significant influence) and Q2 2016 (which included an income of €170m from the disposal of the stake in VISA Europe).

Income (loss) from discontinued operations was null, the same as in Q1 2017. The figure for Q2 2016 was €28m.

Gross income amounted to €5,012m. Excluding the public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca, gross income was €1,512m, compared with €1,652m in Q1 2017 and €1,410m in Q2 2016.

Consolidated net income for the quarter amounted to €4,337m, after accounting:
- taxes on income of €444m;
- charges (net of tax) for integration and exit incentives of €41m. This included the non-taxable public cash contribution of €1,285m covering integration and rationalisation charges relating to the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca and related provisions for risks and charges of €1,285m, net of taxation.
- effect of purchase price allocation (net of tax) of €5m;
- levies and other charges concerning the banking industry (net of tax) of €178m. This derived from pre-tax charges of €13m, as further charges in relation to the full-year ordinary contribution to the resolution fund which were added to those estimated in Q1 2017, €8m in relation to contributions to the deposit guarantee scheme concerning the international network, €188m in relation to impairment losses on the *Atlante* fund, and €48m in relation to impairment losses following the compulsory administrative liquidation of Banca Popolare di Vicenza and Veneto Banca. In Q1 2017, levies and other charges amounted to €282m, deriving from pre-tax charges of €150m in relation to the estimated full-year ordinary contribution to the resolution fund, €4m in relation to contributions to the deposit guarantee scheme concerning the international network resolution fund, and €261m in relation to impairment losses on the *Atlante* fund. In Q2 2016, levies and other charges amounted to €11m, deriving from pre-tax charges of €12m in relation to contributions to the resolution fund and €5m in relation to the contributions to the deposit guarantee scheme concerning the international network.
- minority interests of €7m.

Excluding the public cash contribution of €3.5bn, net income for Q2 2017 was €837m from €901m in both Q1 2017 and Q2 2016. Furthermore, excluding levies and other charges concerning the banking industry, net income for Q2 2017 was €1,015m from €1,183m in Q1 2017 and €912m in Q2 2016.

The income statement for the first half of 2017

The consolidated income statement for H1 2017 recorded **operating income** of €8,557m, down 1% from €8,641m in H1 2016. Excluding the impact of the devaluation of the Egyptian currency and the dividends from the stake in the Bank of Italy, operating income would grow 2%.

As part of it, in H1 2017 **net interest income** amounted to €3,620m, down 1.8% from €3,687m in H1 2016, while up 1.5% excluding the impact of the devaluation of the Egyptian currency.

Net fee and commission income amounted to €3,751m, up 5.8% from €3,545m in H1 2016. Specifically, commissions on commercial banking activities were down 1% and commissions on management, dealing and consultancy activities were up 12.7%. The latter recorded a 46.7% increase in dealing and placement of securities, a 9.4% increase in portfolio management (performance fees contributed €10m, compared with €3m H1 2016), and a 7.3% increase in distribution of insurance products.

Income from insurance business amounted to €523m from €571m in H1 2016.

Profits on trading amounted to €591m from €695m in H1 2016. Profits from customers increased from €243m to €268m. Activities in capital markets and AFS financial assets decreased from €159m to €37m. Trading and treasury activities decreased from €288m (including €121m of dividends from the stake in the bank of Italy) to €266m (including €10m of dividends from the stake in the Bank of Italy). Profits from structured credit products increased from €5m to €20m.

Operating costs amounted to €4,214m and were in line with the €4,215m of H1 2016, with administrative expenses down 1.8%, personnel expenses up 0.2% and adjustments up 4.8%.

As a result, **operating margin** amounted to €4,343m, down 1.9% from €4,426m in H1 2016. Excluding the impact of the devaluation of the Egyptian currency and the dividends from the stake in the Bank of Italy, operating margin would increase 2.7%. The cost/income ratio was 49.2% in H1 2017 versus 48.8% in H1 2016.

Net adjustments to loans amounted to €1,432m from €1,617m in H1 2016.

Net provisions and net impairment losses on other assets amounted to €60m from €240m in H1 2016.

Other income amounted to €3,813m. This figure included the public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca. In addition, it included an income of €299m deriving from the disposal of a stake in NTV and the fair value measurement following the reclassification of both the remaining investment in NTV and the investment in Bank of Qingdao, which are no longer included among companies subject to significant influence. In the corresponding period of 2016, the "Other income" caption recorded €201m and included an income of €170m from the disposal of the stake in VISA Europe.

Income (loss) from discontinued operations was null, versus €48m in H1 2016.

Gross income amounted to €6,664m. Excluding the public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca, gross income was €3,164m, up 12.3% from €2,818m in H1 2016.

Consolidated net income for the first half of the year amounted to €5,238m, after accounting:

- taxes on income of €889m;
- charges (net of tax) for integration and exit incentives of €53m. This included the non-taxable public cash contribution of €1,285m covering integration and rationalisation charges relating to the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca and related provisions for risks and charges of €1,285m, net of taxation.
- effect of purchase price allocation (net of tax) of €11m;
- levies and other charges concerning the banking industry (net of tax) of €460m. This derived from pre-tax charges of €163m in relation to the full-year ordinary contribution to the resolution fund, €12m in relation to contributions to the deposit guarantee scheme concerning the international network, €449m in relation to impairment losses on the *Atlante* fund, and €48m in relation to impairment losses following the compulsory administrative liquidation of Banca Popolare di Vicenza and Veneto Banca. In H1 2016, levies and other charges amounted to €113m, deriving from pre-tax charges of €148m in relation to contributions to the resolution fund and €12m in relation to contributions to the deposit guarantee scheme concerning the international network.
- minority interests of €13m.

Excluding the public cash contribution of €3.5bn, net income for H1 2017 was €1,738m from €1,707m in H1 2016. Furthermore, excluding levies and other charges concerning the banking industry, net income was €2,198m in H1 2017 and €1,820m in H1 2016.

Balance sheet as at 30 June 2017

As regards the consolidated balance sheet figures, as at 30 June 2017 **loans to customers** amounted to €394bn, €24bn of which derived from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca. Excluding these operations, loans to customers were up 1.2% on year-end 2016 and up 2.5% on 30 June 2016 (down 0.3% in Q2 2017 on Q1 2017 and up 4.1% in H1 2017 on H1 2016 when taking into account average volumes instead of those at the end of the period). Total **non-performing loans** (bad, unlikely-to-pay, and past due) - net of adjustments - amounted to €27,802m, down 6.6% from €29,767m at year-end 2016, and were not affected by the acquired operations of Banca Popolare di Vicenza and Veneto Banca. In detail, bad loans decreased from €14,895m at year-end 2016 to €13,920m. The bad loan to total loan ratio was 3.5% – a 3.8% ratio excluding the acquired operations of Banca Popolare di Vicenza and Veneto Banca from total loans – versus 4.1% as at year-end 2016, with a cash coverage ratio of 60.7% (60.6% as at year-end 2016). Unlikely-to-pay loans decreased from €14,435m as at year-end 2016 to €13,546m. Past due loans decreased from €437m at year-end 2016 to €336m.

Customer financial assets amounted to €920bn (net of duplications between direct deposits and indirect customer deposits), €50bn of which derived from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca. Excluding these operations, customer financial assets were up 0.7% on year-end 2016 and up 3.5% on 30 June 2016. Under customer financial assets, **direct deposits from banking business** amounted to €412bn, €30bn of which derived from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca. Excluding these operations, direct deposits from banking business were down 3% on year-end 2016 and down 1.2% on 30 June 2016. **Direct deposits from insurance business and technical reserves** amounted to €148bn (not affected by the acquired operations of Banca Popolare di Vicenza and Veneto Banca), up 2.5% on year-end 2016 and up 5.9% on 30 June 2016. Indirect customer deposits amounted to €506bn, €20bn of which derived from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca. Excluding these operations, indirect customer deposits were up 3.7% on year-end 2016 and up 7.5% on 30 June 2016. **Assets under management** reached €326bn (not affected by the acquired operations of Banca Popolare di Vicenza and Veneto Banca), up 3.8% on year-end 2016 and up 8.2% on 30 June 2016. As for bancassurance, in H1 2017 the new business for life policies amounted to €11.1bn (not affected by the acquired operations of Banca Popolare di Vicenza and Veneto Banca) and was 10.7% lower than in H1 2016. Assets held under administration and in custody amounted to €180bn, €20bn of which derived from the acquisition of operations of Banca Popolare di Vicenza e Veneto Banca. Excluding these operations, assets under administration and in custody were up 3.6% on year-end 2016 and up 6.1% on 30 June 2016.

Capital ratios as at 30 June 2017, calculated by applying the transitional arrangements for 2017 and after the deduction of around €1,640m of dividends accrued in the first half of the year, were as follows:
- Common Equity ratio [(9)] at 12.5% (12.7% at year-end 2016),
- Tier 1 ratio [(9)] at 14.3% (13.9% at year-end 2016),
- total capital ratio [(9)] at 17.1% (17% at year-end 2016).

The estimated pro-forma common equity ratio for the Group on a **fully loaded basis** was 13% (12.9% at year-end 2016). It was calculated by applying the fully loaded parameters to the financial statements as at 30 June 2017, considering the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, as well as to the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, the expected absorption of DTAs on losses carried forward, the line-by-line consolidation of the subsidiaries of Banca Popolare di Vicenza and Veneto Banca included in the operations acquired, the expected distribution of net income of insurance companies for H1 2017, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of 8 basis points).

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As a result of the strategic decisions taken, **Intesa Sanpaolo** has confirmed its position as **one of the most solid international banking Groups**. In addition to the asset quality and level of capital ratios commented on above, the Group has continued to build on its key strengths: **robust liquidity** and **low leverage**.

In particular, as regards the components of the Group's **liquidity**:
- high level of available unencumbered liquid assets (including eligible assets with Central Banks received as collateral and excluding eligible assets currently used as collateral) amounted to €81bn at the end of June 2017 (€1bn of which derived from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca);
- high level of liquid assets (comprising available unencumbered liquid assets, excluding eligible assets received as collateral, and eligible assets currently used as collateral) amounted to €159bn at the end of June 2017 (€9bn of which derived from the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca);

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(9) After the deduction of accrued dividends, assumed equal to the net income for the first half of the year minus the coupons accrued on the Additional Tier 1 issues and the non-taxable public cash contribution of €3.5bn offsetting the impact on the capital ratios of the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca.

- refinancing operations with the ECB to optimise the cost of funding and to support businesses in their investment amounted to an average of €56.7bn in Q2 2017 (an average of €44.8bn in Q1 2017 and €33.3bn in 2016). These refinancing operations consisted entirely of the TLTRO with a four-year maturity. At the end of March 2017, the Group borrowed €12bn under the fourth and final TLTRO II bringing its total funding to around €57bn, the maximum borrowing allowance under the TLTROs II, after borrowing around €36bn (end of June 2016) under the first TLTRO II – repaying in full the take-up of €27.6bn under the TLTRO I programme – around €5bn (end of September 2016) under the second TLTRO II and around €3.5bn (mid-December 2016) under the third TLTRO II. As at 30 June 2017, refinancing operations with the ECB amounted to €63.8bn following the acquisition of operations of Banca Popolare di Vicenza and Veneto Banca, which included around €7.1bn borrowed under TLTROs II.
- the sources of funding were stable and well diversified, with retail funding representing 73% of direct deposits from banking business (including securities issued);
- medium/long-term funding was around €12bn in the first seven months of 2017, around €11bn of which was wholesale funding;
- medium/long-term wholesale issues in the first seven months of 2017 included benchmark transactions of €2bn Additional Tier 1, covered bonds of €1bn, senior bonds of €2.5bn and U.S.$2.5bn and a green bond of €500m (of these, around 83% were placed with foreign investors).

The Group's **leverage ratio** as at 30 June 2017 was 6.4% applying the transitional arrangements for 2017 and 6.1% fully loaded, both best in class among major European banking groups.

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As at 30 June 2017, the Intesa Sanpaolo Group's **operating structure** had a total network of 5,803 branches (771 of which were part of the acquired operations of Banca Popolare di Vicenza and Veneto Banca). The total network consists of 4,648 branches in Italy (750 branches from the acquisition of the aforementioned operations) and 1,155 abroad (21 branches from the acquisition of the aforementioned operations). Employees were 88,837 (a number which did not include the contribution of the acquired operations of Banca Popolare di Vicenza and Veneto Banca in that these were not consolidated in the income statement for the first half of 2017).

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Breakdown of results by business area

The **Banca dei Territori** Division comprises:

- Retail customers (individual customers with financial assets up to €100,000 and businesses/companies with low-complexity needs)
- Personal customers (individual customers with financial assets between €100,000 and €1m)
- SME customers, including companies whose group turnover is below €350m.

The division includes Banca 5, a "proximity bank" linked with a non-captive network of points of sale, focused on instant banking and targeting categories of customers who rarely use banking products and services. Moreover, the division includes Banca Prossima operating at the service of non-profit entities through the Group's branches with regional centres and a team of specialists, and Mediocredito Italiano which is the SME Finance Hub.

In the second quarter of 2017, the Banca dei Territori Division recorded:

- operating income of €2,196m, +0.8% versus €2,179m in Q1 2017;
- operating costs of €1,230m, +3.8% versus €1,185m in Q1 2017;
- operating margin of €966m, -2.8% versus €994m in Q1 2017;
- a cost/income ratio of 56% versus 54.4% in Q1 2017;
- net provisions and adjustments of €367m, versus €413m in Q1 2017;
- gross income €599m, +3% versus €581m in Q1 2017;
- net income of €342m, -2.3% versus €351m in Q1 2017.

In the first half of 2017, the Banca dei Territori Division recorded:

- operating income of €4,375m, +1.6% versus €4,307m in H1 2016, contributing approximately 51% of the consolidated operating income (50% in H1 2016);
- operating costs of €2,415m, -1.4% versus €2,450m in H1 2016;
- operating margin of €1,960m, +5.5% versus €1,857m in H1 2016;
- a cost/income ratio of 55.2% versus 56.9% in H1 2016;
- net provisions and adjustments of €780m versus €960m in H1 2016;
- gross income €1,180m, +12.6% versus €1,048m in H1 2016;
- net income of €693m, +9.7% versus €632m in H1 2016.

The **Corporate and Investment Banking** Division includes:

- Global Corporate, which manages the relationship with corporate clients with a turnover higher than €350m and national public entities, grouped, in accordance with a sector-based model, in the following 11 industries: Automotive & Mechanics, Basic Materials & Healthcare; Food & Beverage and Distribution; Retail & Luxury; Infrastructure & Real Estate Partners; Public Finance; Global EPC & Integrated Logistics; Energy & Utilities; Oil & Gas; Telecom, Media & Technology; Business Solutions
- International Department, which ensures the development of the division and is responsible for foreign branches, representative offices and foreign subsidiaries carrying out corporate banking (Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Bank Ireland and Intesa Sanpaolo Brasil)
- Financial Institutions, which is responsible for relationships with financial institutions
- Global Transaction Banking, which is responsible for management of transaction banking services
- Banca IMI, which operates in investment banking (M&A and advisory), structured finance, capital markets and primary markets (equity and debt capital market).

The division also comprises the management of the Group’s proprietary trading.

In the second quarter of 2017, the Corporate and Investment Banking Division recorded:

- operating income of €845m, +5.1% versus €804m in Q1 2017;
- operating costs of €241m, +6.5% versus €226m in Q1 2017;
- operating margin of €604m, +4.5% versus €578m in Q1 2017;
- a cost/income ratio of 28.5% versus 28.1% in Q1 2017;
- net provisions and adjustments of €99m, versus €88m in Q1 2017;
- gross income €614m, +25.3% versus €490m in Q1 2017;
- net income of €446m, +27.3% versus €351m in Q1 2017.

In the first half of 2017, the Corporate and Investment Banking Division recorded:

- operating income of €1,649m, -1.7% versus €1,678m in H1 2016, contributing approximately 19% of the consolidated operating income (19% in H1 2016);
- operating costs of €467m, +1.5% versus €460m in H1 2016;
- operating margin of €1,182m, -3% versus €1,218m in H1 2016;
- a cost/income ratio of 28.3% versus 27.4% in H1 2016;
- net provisions and adjustments of €187m, versus €125m in H1 2016;
- gross income €1,104m, -0.6% versus €1,111m in H1 2016;
- net income of €797m, +5.1% versus €758m in H1 2016.

The **International Subsidiary Banks** [11] Division is responsible for operations on international markets through commercial banking subsidiaries and associates, and provides guidelines, coordination and support for the Group's subsidiaries. It is responsible for defining the Group's development strategy related to its direct presence abroad, including exploring and analysing new growth opportunities in markets where the Group already has a presence, as well as in new ones. This division also coordinates operations of international subsidiary banks and their relations with the Parent Company's head office departments and the Corporate and Investment Banking Division's branches and offices abroad. The division is in charge of the Group's operations in the following geographical areas: i) South-Eastern Europe, through Privredna Banka Zagreb in Croatia, Banca Intesa Beograd in Serbia, Intesa Sanpaolo Banka Bosna i Hercegovina in Bosnia and Herzegovina, Intesa Sanpaolo Bank Albania and Intesa Sanpaolo Bank Romania; ii) Central-Eastern Europe, through Intesa Sanpaolo Bank in Slovenia, VUB Banka in Slovakia and CIB Bank in Hungary; iii) CIS & South Mediterranean, through Banca Intesa in the Russian Federation and Bank of Alexandria in Egypt.

In the second quarter of 2017, the International Subsidiary Banks Division recorded:
- operating income of €486m, +2.9% versus €472m in Q1 2017;
- operating costs of €229m, +2.2% versus €224m in Q1 2017;
- operating margin of €257m, +3.5% versus €248m in Q1 2017;
- a cost/income ratio of 47.1% versus 47.5% in Q1 2017;
- net provisions and adjustments of €66m, versus €33m in Q1 2017;
- gross income €192m, -53% versus €409m in Q1 2017 (-12%, excluding the impact from the Bank of Qingdao reclassification);
- net income of €150m, -57.2% versus €351m in Q1 2017 (-9%, excluding the impact from the Bank of Qingdao reclassification).

In the first half of 2017, the International Subsidiary Banks Division recorded:
- operating income of €958m, -5% versus €1,008m in H1 2016 (+9%, excluding the impact from the Egyptian currency devaluation), contributing approximately 11% of the consolidated operating income (12% in H1 2016);
- operating costs of €453m, -5.2% versus €478m in H1 2016;
- operating margin of €505m, -4.7% versus €530m in H1 2016 (+12%, excluding the impact from the Egyptian currency devaluation);
- a cost/income ratio of 47.3% versus 47.4% in H1 2016;
- net provisions and adjustments of €98m, versus €88m in H1 2016;
- gross income €602m, +18.3% versus €509m in H1 2016 (-2%, excluding the impact from the Egyptian currency devaluation and the Bank of Qingdao reclassification);
- net income of €501m, +28.8% versus €389m in H1 2016 (-3%, excluding the impact from the Egyptian currency devaluation and the Bank of Qingdao reclassification).

(11) The International Subsidiary Banks Division does not include Pravex-Bank in Ukraine and the bad bank of CIB Bank in Hungary. Both are placed in a reporting line to the Capital Light Bank business unit.

The **Private Banking** Division serves the top customer segment (Private and High Net Worth Individuals) through Fideuram and its subsidiaries Fideuram Investimenti, Intesa Sanpaolo Private Banking, Sirefid, Fideuram Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) and Fideuram Asset Management Ireland.

In the second quarter of 2017, the Private Banking Division recorded:
- operating income of €468m, +1% versus €463m in Q1 2017;
- operating costs of €140m, +9% versus €128m in Q1 2017;
- operating margin of €328m, -2% versus €335m in Q1 2017;
- a cost/income ratio of 29.9% versus 27.7% in Q1 2017;
- net provisions and adjustments of €8m versus €9m in Q1 2017;
- gross income €320m, -1.8% versus €326m in Q1 2017;
- net income of €218m, -4% versus €227m in Q1 2017.

In the first half of 2017, the Private Banking Division recorded:
- operating income of € 932m, +7.2% versus €869m in H1 2016, contributing approximately 11% of the consolidated operating income (10% in H1 2016);
- operating costs of €269m, +4.3% versus €258m in H1 2016;
- operating margin of €663m, +8.5% versus €611m in H1 2016;
- a cost/income ratio of 28.9% versus 29.7% in H1 2016;
- net provisions and adjustments of €17m, versus €21m in H1 2016;
- gross income €646m, +9.5% versus €590m in H1 2016;
- net income of €445m, +22.3% versus €364m in H1 2016.

The **Asset Management** Division develops asset management solutions targeted at the Group's customers, commercial networks outside the Group and the institutional clientele through Eurizon Capital. Eurizon Capital controls Eurizon Capital SA (Luxembourg), a company specialising in managing Luxembourg mutual funds with low tracking error, and VUB Asset Management (Slovakia), which heads up the Hungarian CIB IFM and the Croatian PBZ Invest (the asset management hub in Eastern Europe). Eurizon Capital also controls Epsilon Associati SGR - a company specialising in active management and, specifically, in quantitative and multi-strategy management with total-return investment aims - which is 51% owned by Eurizon Capital and 49% by Banca IMI. Eurizon Capital owns 49% of the Chinese asset management company Penghua Fund Management. Moreover, Eurizon Capital owns 20% of the Chinese wealth management company Yicai, which is 25% owned by Fideuram and 55% by the Parent Company Intesa Sanpaolo.

In the second quarter of 2017, the Asset Management Division recorded:
- operating income of €191m, +7.4% versus €178m in Q1 2017;
- operating costs of €37m, +8.1% versus €34m in Q1 2017;
- operating margin of €154m, +7.3% versus €143m in Q1 2017;
- a cost/income ratio of 19.5% versus 19.4% in Q1 2017;
- gross income €154m, +7.3% versus €143m in Q1 2017;
- net income of €121m, +5.1% versus €115m in Q1 2017.

In the first half of 2017, the Asset Management Division recorded:
- operating income of €369m, +23.4% versus €299m in H1 2016, contributing approximately 4% of the consolidated operating income (3% in H1 2016);
- operating costs of €72m, +12.5% versus €64m in H1 2016;
- operating margin of €297m, +26.4% versus €235m in H1 2016;
- a cost/income ratio of 19.5% versus 21.4% in H1 2016;
- gross income €297m, +26.4% versus €235m in H1 2016;
- net income of €235m, +31.3% versus €179m in H1 2016.

The **Insurance** Division develops insurance products tailored for the Group's clients and coordinates the operations of Intesa Sanpaolo Vita (which controls Intesa Sanpaolo Assicura) and Fideuram Vita.

In the second quarter of 2017, the Insurance Division recorded:
- operating income of €275m, -13.8% versus €319m in Q1 2017;
- operating costs of €45m, +11% versus €40m in Q1 2017;
- operating margin of €231m, -17.4% versus €279m in Q1 2017;
- a cost/income ratio of 16.2% versus 12.6% in Q1 2017;
- gross income €228m, -18.2% versus €279m in Q1 2017;
- net income of €162m, -16.9% versus €195m in Q1 2017.

In the first half of 2017, the Insurance Division recorded:
- operating income of €595m, -11.6% versus €673m in H1 2016, contributing approximately 7% of the consolidated operating income (8% in H1 2016);
- operating costs of €85m, +13.3% versus €75m in H1 2016;
- operating margin of €510m, -14.7% versus €598m in H1 2016;
- a cost/income ratio of 14.3% versus 11.1% in H1 2016;
- no net provisions and adjustments, versus €9m in H1 2016;
- gross income €507m, -13.9% versus €589m in H1 2016;
- net income of €357m, -8.9% versus €392m in H1 2016.

<u>The outlook for 2017</u>

In 2017, the Intesa Sanpaolo Group is expected to register an increase in operating margin, driven by revenue growth and continuous cost management, and in gross income (even excluding the public cash contribution of €3.5bn offsetting the impact on the capital ratios deriving from the acquisition of assets and liabilities of Banca Popolare di Vicenza and Veneto Banca) with a reduction in the cost of risk. The commitment to distribute €10 billion of cumulative cash dividends in four years (2014-2017), as indicated in the Business Plan, is confirmed.

* * *

Balance sheet figures as at 30 June 2017 included items from the acquisition, effective 26 June 2017, of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca. Items concerning parent companies were consolidated line by line, while the related subsidiaries included in the operations acquired were recognised under "investments in associates and companies subject to joint control". Income statement figures did not include items from the aforementioned acquisition.

Income statement figures for the first three quarters of 2016 were restated and included under the captions of the new format of the reclassified income statement as shown below. This format was introduced as of Q4 2016 with the aim of improving operating performance visibility:

1. "Other operating income (expenses)" no longer includes:
   - contributions to the resolution fund and the deposit guarantee scheme, which are now included in a new caption "Levies and other charges concerning the banking industry (net of tax)" reported after "Gross Income (Loss)", which replaces the previous caption "Income (Loss) before tax from continuing operations";
   - non-recurring items of a non-operating nature like the income from the disposal of VISA Europe (Q2 2016), which are now included in the new caption "Other income (expenses)" reported after "Operating margin" and comprising the previous specific caption "Profits (Losses) on investments held to maturity and on other investments" as well;
2. "Other operating income (expenses)" now includes the previous specific caption "Profits (Losses) on investments carried at equity";
3. "Net provisions and net impairment losses on other assets" is a new caption which includes the previous specific captions "Net provisions for risks and charges" and "Net impairment losses on other assets";
4. "Income (Loss) from discontinued operations" is no longer net of tax and is now reported before "Gross Income (Loss)", which replaces the previous caption "Income (Loss) before tax from continuing operations".

In addition, for consistency purpose:

- the income statement figures for the four quarters of 2016 and the balance sheet figures for the first three quarters of 2016 were restated following the acquisition of Banca ITB. The related items were consolidated line by line and the corresponding net income was included under minority interests;
- the income statement and the balance sheet figures for the first quarter of 2016 were restated following the disposal of Setefi and Intesa Sanpaolo Card and that of a portfolio of performing loans of subsidiary Accedo. The related items were deconsolidated line by line: the contribution of Setefi and Intesa Sanpaolo Card to the income statement and the balance sheet was recorded under income/loss from discontinued operations and under relevant assets/liabilities referring to discontinued operations, while the contribution of Accedo's portfolio to the income statement was recorded under minority interests.

* * *

In order to present more complete information on the results generated in the first half of 2017, the reclassified consolidated income statement and the reclassified consolidated balance sheet included in the report approved by the Board of Directors are attached. Please note that these statements have not been reviewed by the auditing company. The auditing company in charge of performing the limited review of the half-yearly report has not yet completed its analysis.

* * *

The manager responsible for preparing the company's financial reports, Fabrizio Dabbene, declares, pursuant to paragraph 2 of Article 154 *bis* of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the document results, books and accounting records.

* * *

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This press release contains certain forward-looking statements, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

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Intesa Sanpaolo Group

Reclassified consolidated statement of income

(millions of euro)

	30.06.2017	30.06.2016	Changes amount	%
Net interest income	3,620	3,687	-67	-1.8
Net fee and commission income	3,751	3,545	206	5.8
Income from insurance business	523	571	-48	-8.4
Profits (Losses) on trading	591	695	-104	-15.0
Other operating income (expenses)	72	143	-71	-49.7
Operating income	8,557	8,641	-84	-1.0
Personnel expenses	-2,624	-2,620	4	0.2
Other administrative expenses	-1,216	-1,238	-22	-1.8
Adjustments to property, equipment and intangible assets	-374	-357	17	4.8
Operating costs	-4,214	-4,215	-1	-
Operating margin	4,343	4,426	-83	-1.9
Net adjustments to loans	-1,432	-1,617	-185	-11.4
Net provisions and net impairment losses on other assets	-60	-240	-180	-75.0
Other income (expenses)	3,813	201	3,612	
Income (Loss) from discontinued operations	-	48	-48	
Gross income (loss)	6,664	2,818	3,846	
Taxes on income	-889	-793	96	12.1
Charges (net of tax) for integration and exit incentives	-53	-51	2	3.9
Effect of purchase price allocation (net of tax)	-11	-56	-45	-80.4
Levies and other charges concerning the banking industry (net of tax)	-460	-113	347	
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-13	-98	-85	-86.7
Net income (loss)	5,238	1,707	3,531	

Figures restated, where necessary, considering the changes in the scope of consolidation.

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated statement of income

(millions of euro)

	2017		2016			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,815	1,805	1,748	1,859	1,832	1,855
Net fee and commission income	1,896	1,855	2,030	1,756	1,858	1,687
Income from insurance business	240	283	166	258	239	332
Profits (Losses) on trading	365	226	247	248	467	228
Other operating income (expenses)	32	40	-7	29	68	75
Operating income	4,348	4,209	4,184	4,150	4,464	4,177
Personnel expenses	-1,338	-1,286	-1,393	-1,310	-1,341	-1,279
Other administrative expenses	-633	-583	-765	-627	-641	-597
Adjustments to property, equipment and intangible assets	-188	-186	-206	-186	-179	-178
Operating costs	-2,159	-2,055	-2,364	-2,123	-2,161	-2,054
Operating margin	2,189	2,154	1,820	2,027	2,303	2,123
Net adjustments to loans	-737	-695	-1,174	-917	-923	-694
Net provisions and net impairment losses on other assets	-57	-3	-105	-77	-194	-46
Other income (expenses)	3,617	196	138	16	196	5
Income (Loss) from discontinued operations	-	-	881	23	28	20
Gross income (loss)	5,012	1,652	1,560	1,072	1,410	1,408
Taxes on income	-444	-445	-314	-321	-361	-432
Charges (net of tax) for integration and exit incentives	-41	-12	-83	-16	-38	-13
Effect of purchase price allocation (net of tax)	-5	-6	-30	-26	-27	-29
Levies and other charges concerning the banking industry (net of tax)	-178	-282	-377	-69	-11	-102
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-
Minority interests	-7	-6	20	-12	-72	-26
Net income (loss)	4,337	901	776	628	901	806

Figures restated, where necessary, considering the changes in the scope of consolidation.

Intesa Sanpaolo Group

Reclassified consolidated balance sheet

(millions of euro)

Assets	30.06.2017 Consolidated figure (a)	Of which: figure of the assets acquired (b)	Consolidated figure net of the assets acquired (c) = (a) - (b)	31.12.2016 Consolidated figure (d)	Changes amount (e) = (c) - (d)	% (e) / (d)
Financial assets held for trading	44,415	2,065	42,350	43,613	-1,263	-2.9
of which: Insurance Companies	486	-	486	514	-28	-5.4
Financial assets designated at fair value through profit and loss	70,018	6	70,012	63,865	6,147	9.6
of which: Insurance Companies	68,961	-	68,961	62,743	6,218	9.9
Financial assets available for sale	144,562	4,464	140,098	146,692	-6,594	-4.5
of which: Insurance Companies	78,174	-	78,174	79,286	-1,112	-1.4
Investments held to maturity	2,305	1,103	1,202	1,241	-39	-3.1
Due from banks	78,147	6,065	72,082	53,146	18,936	35.6
Loans to customers	393,517	24,428	369,089	364,713	4,376	1.2
Investments in associates and companies subject to joint control	1,282	583	699	1,167	-468	-40.1
Property, equipment and intangible assets	12,425	240	12,185	12,301	-116	-0.9
Tax assets	15,951	1,469	14,482	14,444	38	0.3
Non-current assets held for sale and discontinued operations	427	-	427	423	4	0.9
Other assets	24,969	5,641	19,328	23,495	-4,167	-17.7
Total Assets	788,018	46,064	741,954	725,100	16,854	2.3

Liabilities and Shareholders' Equity	30.06.2017 Consolidated figure (a)	Of which: figure of the liabilities acquired (b)	Consolidated figure net of the liabilities acquired (c) = (a) - (b)	31.12.2016 Consolidated figure (d)	Changes amount (e) = (c) - (d)	% (e) / (d)
Due to banks	101,450	12,040	89,410	72,641	16,769	23.1
Due to customers and securities issued	406,017	29,726	376,291	386,659	-10,368	-2.7
of which: Insurance Companies	1,339	-	1,339	1,295	44	3.4
Financial liabilities held for trading	42,517	1,437	41,080	44,790	-3,710	-8.3
of which: Insurance Companies	68	-	68	86	-18	-20.9
Financial liabilities designated at fair value through profit and loss	63,017	190	62,827	57,187	5,640	9.9
of which: Insurance Companies	62,823	-	62,823	57,184	5,639	9.9
Tax liabilities	1,972	100	1,872	2,038	-166	-8.1
Liabilities associated with non-current assets held for sale and discontinued operations	268	-	268	272	-4	-1.5
Other liabilities	29,086	2,413	26,673	21,745	4,928	22.7
Technical reserves	83,593	-	83,593	85,619	-2,026	-2.4
Allowances for specific purpose	6,577	158	6,419	4,830	1,589	32.9
Share capital	8,732	-	8,732	8,732	-	-
Reserves	36,930	-	36,930	36,805	125	0.3
Valuation reserves	-1,838	-	-1,838	-1,854	-16	-0.9
Equity instruments	4,102	-	4,102	2,117	1,985	93.8
Minority interests	357	-	357	408	-51	-12.5
Net income (loss)	5,238	-	5,238	3,111	2,127	68.4
Total Liabilities and Shareholders' Equity	788,018	46,064	741,954	725,100	16,854	2.3

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations. The figures concerning the assets and liabilities in relation to the acquired operations of Banca Popolare di Vicenza S.p.a. and Veneto Banca S.p.a. have not been restated.

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated balance sheet

(millions of euro)

Assets	30.06.2017 Consolidated figure (a)	Of which: figure of the assets acquired (b)	Consolidated figure net of the assets acquired (c) = (a) - (b)	2017 31/3	2016 31/12	30/9	30/6	31/3
Financial assets held for trading	44,415	2,065	42,350	44,484	43,613	50,232	52,499	54,786
of which: Insurance Companies	486	-	486	498	514	524	648	721
Financial assets designated at fair value through profit and loss	70,018	6	70,012	67,438	63,865	61,338	57,948	54,480
of which: Insurance Companies	68,961	-	68,961	66,330	62,743	60,187	56,908	53,358
Financial assets available for sale	144,562	4,464	140,098	150,000	146,692	146,885	152,465	142,816
of which: Insurance Companies	78,174	-	78,174	78,916	79,286	80,792	80,379	78,393
Investments held to maturity	2,305	1,103	1,202	1,229	1,241	1,231	1,246	1,317
Due from banks	78,147	6,065	72,082	58,897	53,146	37,528	36,879	33,540
Loans to customers	393,517	24,428	369,089	366,648	364,713	364,836	360,240	358,478
Investments in associates and companies subject to joint control	1,282	583	699	736	1,167	1,253	1,266	1,281
Property, equipment and intangible assets	12,425	240	12,185	12,205	12,301	12,108	12,116	12,114
Tax assets	15,951	1,469	14,482	14,343	14,444	14,163	14,398	14,583
Non-current assets held for sale and discontinued operations	427	-	427	431	423	906	1,100	3,671
Other assets	24,969	5,641	19,328	23,042	23,495	23,917	27,135	23,297
Total Assets	788,018	46,064	741,954	739,453	725,100	714,397	717,292	700,363

Liabilities and Shareholders' Equity	30.06.2017 Consolidated figure (a)	Of which: figure of the liabilities acquired (b)	Consolidated figure net of the liabilities acquired (c) = (a) - (b)	2017 31/3	2016 31/12	30/9	30/6	31/3
Due to banks	101,450	12,040	89,410	92,584	72,641	69,641	67,656	60,343
Due to customers and securities issued	406,017	29,726	376,291	377,356	386,659	372,372	379,643	373,224
of which: Insurance Companies	1,339	-	1,339	1,331	1,295	1,320	1,362	1,361
Financial liabilities held for trading	42,517	1,437	41,080	43,360	44,790	48,143	49,340	48,936
of which: Insurance Companies	68	-	68	78	86	117	104	95
Financial liabilities designated at fair value through profit and loss	63,017	190	62,827	60,562	57,187	54,373	51,360	48,031
of which: Insurance Companies	62,823	-	62,823	60,559	57,184	54,373	51,360	48,031
Tax liabilities	1,972	100	1,872	2,084	2,038	2,235	2,186	2,564
Liabilities associated with non-current assets held for sale and discontinued operations	268	-	268	273	272	413	336	350
Other liabilities	29,086	2,413	26,673	23,001	21,745	25,939	26,798	25,181
Technical reserves	83,593	-	83,593	84,405	85,619	87,370	86,813	86,664
Allowances for specific purpose	6,577	158	6,419	4,737	4,830	5,049	4,987	4,792
Share capital	8,732	-	8,732	8,732	8,732	8,732	8,732	8,732
Reserves	36,930	-	36,930	39,903	36,805	36,774	36,830	39,184
Valuation reserves	-1,838	-	-1,838	-2,159	-1,854	-1,737	-1,860	-1,387
Equity instruments	4,102	-	4,102	3,358	2,117	2,118	2,118	2,118
Minority interests	357	-	357	356	408	640	646	825
Net income (loss)	5,238	-	5,238	901	3,111	2,335	1,707	806
Total Liabilities and Shareholders' Equity	788,018	46,064	741,954	739,453	725,100	714,397	717,292	700,363

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations. The figures concerning the assets and liabilities in relation to the acquired operations of Banca Popolare di Vicenza S.p.a. and Veneto Banca S.p.a. have not been restated.

Intesa Sanpaolo Group

Breakdown of financial highlights by business area

Income statement (millions of euro)	Banca dei Territori		Corporate and Investment Banking		International Subsidiary Banks		Private Banking		Asset management		Insurance	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016	30.06.2017	30.06.2016	30.06.2017	30.06.2016	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Operating income	4,375	4,307	1,649	1,678	958	1,008	932	869	369	299	595	673
Operating costs	-2,415	-2,450	-467	-460	-453	-478	-269	-258	-72	-64	-85	-75
Operating margin	1,960	1,857	1,182	1,218	505	530	663	611	297	235	510	598
Net income (loss)	693	632	797	758	501	389	445	364	235	179	357	392

Balance sheet (millions of euro)	Banca dei Territori		Corporate and Investment Banking		International Subsidiary Banks		Private Banking		Asset management		Insurance	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Loans to customers	218,328		102,185		27,617		9,153		279		22	
Loans to customers (Excluding operations acquired)	193,900	188,317	102,185	98,183	27,617	26,492	9,153	9,597	279	298	22	26
Direct deposits from banking business	201,484		106,628		34,158		28,395		7		-	
Direct deposits from banking business (Excluding operations acquired)	171,568	173,599	106,628	112,661	34,158	32,978	28,395	27,540	7	8	-	-

Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. The figures concerning the assets and liabilities in relation to the acquired operations of Banca Popolare di Vicenza S.p.a. and Veneto Banca S.p.a. have not been restated.